

QUARTERLY REPORT

LICENSEE: ACE GAMING, LLC

FOR THE QUARTER ENDED DECEMBER 31, 2005

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

BALANCE SHEETS

AS OF DECEMBER 31, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 13,710	\$ 12,755
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2005, \$3,801; 2004, \$3,862)..... Note 3.....	4,541	5,475
4	Inventories.....	2,588	2,499
5	Prepaid Expenses and Other Current Assets..... Note 12.....	7,400	4,989
6	Total Current Assets.....	28,239	25,718
7	Investments, Advances, and Receivables..... Note 14.....	12,930	11,646
8	Property and Equipment - Gross..... Note 13.....	222,762	218,206
9	Less: Accumulated Depreciation and Amortization..... Note 13.....	(62,159)	(46,566)
10	Property and Equipment - Net..... Note 13.....	160,603	171,640
11	Other Assets.....	984	1,754
12	Total Assets.....	\$ 202,756	\$ 210,758
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 5,523	\$ 7,081
14	Notes Payable.....	3,548	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	310	258
17	Income Taxes Payable and Accrued..... Note 5.....	34	31
18	Other Accrued Expenses..... Note 15.....	9,232	10,387
19	Other Current Liabilities..... Note 16.....	4,250	3,820
20	Total Current Liabilities.....	22,897	21,577
	Long-Term Debt:		
21	Due to Affiliates.....	-	-
22	Other.....	251	504
23	Deferred Credits.....	-	-
24	Other Liabilities..... Note 17.....	4,348	4,037
25	Commitments and Contingencies		
26	Total Liabilities.....	27,496	26,118
27	Stockholders', Partners', Or Proprietor's Equity.....	175,260	184,640
28	Total Liabilities and Equity.....	\$ 202,756	\$ 210,758

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	Revenue:		
1	Casino.....	\$ 173,390	\$ 187,310
2	Rooms.....	12,062	10,908
3	Food and Beverage.....	21,946	21,899
4	Other.....	3,255	3,939
5	Total Revenue.....	210,653	224,056
6	Less: Promotional Allowances.....	48,314	50,678
7	Net Revenue.....	162,339	173,378
	Costs and Expenses:		
8	Cost of Goods and Services.....	113,895	117,615
9	Selling, General, and Administrative.....	36,235	36,560 *
10	Provision for Doubtful Accounts.....	450	415
11	Total Costs and Expenses.....	150,580	154,590 *
12	Gross Operating Profit.....	11,759	18,788 *
13	Depreciation and Amortization.....	15,960	14,898
	Charges from Affiliates Other than Interest:		
14	Management Fees.....		
15	Other.....	681	388 *
16	Income (Loss) From Operations.....	(4,882)	3,502
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates	-	(6,956)
18	Interest (Expense) - External.....	(745)	(233)
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(732)	(1,165)
20	Nonoperating Income (Expense) - Net..... Note 18.....	579	(2,098)
21	Total Other Income (Expenses).....	(898)	(10,452)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	(5,780)	(6,950)
23	Provision (Credit) for Income Taxes..... Note 5.....	1,002	986
24	Income (Loss) Before Extraordinary Items.....	(6,782)	(7,936)
25	Extraordinary Items (Net of Income Taxes - 2005, \$ - ; 2004, \$ -).....	-	-
26	Net Income (Loss).....	\$ (6,782)	\$ (7,936)

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE	DESCRIPTION	2005	2004
(a)	(b)	(c)	(d)
	Revenue:		
1	Casino.....	\$ 36,822	\$ 44,815
2	Rooms.....	3,173	2,566
3	Food and Beverage.....	4,440	5,427
4	Other.....	639	1,113
5	Total Revenue.....	45,074	53,921
6	Less: Promotional Allowances.....	8,081	12,086
7	Net Revenue.....	36,993	41,835
	Costs And Expenses:		
8	Cost of Goods and Services.....	26,531	28,609
9	Selling, General, and Administrative.....	7,957	9,816 *
10	Provision for Doubtful Accounts.....	172	153
11	Total Costs and Expenses.....	34,660	38,578 *
12	Gross Operating Profit.....	2,333	3,257 *
13	Depreciation and Amortization.....	4,027	3,571
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	681	388 *
16	Income (Loss) From Operations.....	(2,375)	(702)
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....	-	(306)
18	Interest (Expense) - External.....	(548)	(71)
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(224)	(278)
20	Nonoperating Income (Expense) - Net..... Note 18.....	179	237
21	Total Other Income (Expenses).....	(593)	(418)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(2,968)	(1,120)
23	Provision (Credit) for Income Taxes..... Note 5.....	238	201
24	Income (Loss) Before Extraordinary Items.....	(3,206)	(1,321)
25	Extraordinary Items (Net of Income Taxes - 2005, \$ - - ; 2004, \$ - -).....	-	-
26	Net Income (Loss).....	\$ (3,206)	\$ (1,321)

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2003	100	\$ -		\$ -	89,659	\$ -	\$ (36,300)	\$ 53,359
2	Net Income (Loss) - 2004.....							(7,936)	(7,936)
3	Contribution to Paid-in - Capital.....					142,013			142,013
4	Dividends.....								
5	Prior Period Adjustments.....								
6	Capital Withdrawals					(2,796)			(2,796)
7	Cancelled Common Stock	(100)							
8	Single Member LLC								
9									
10	Balance, December 31, 2004.....	-	-			228,876		(44,236)	184,640
11	Net Income (Loss) - 2005.....							(6,782)	(6,782)
12	Contribution to Paid-in - Capital.....								-
13	Dividends.....								
14	Prior Period Adjustments.....								
15	Capital Withdrawals					(2,598)			(2,598)
16									
17									
18									
19	Balance, December 31, 2005.....	-	\$ -		\$ -	226,278	\$ -	\$ (51,018)	\$ 175,260

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 6,982	\$ 5,226
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	138	202
4	Cash Outflows for Property and Equipment.....	(4,766)	(17,379)
5	Proceeds from Disposition of Property and Equipment.....	6	308
6	Purchase of Casino Reinvestment Obligations.....	(2,154)	(2,308)
7	Purchase of Other Investments and Loans/Advances made.....	-	-
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....		
9	Cash Outflows to Acquire Business Entities (net of cash acquired).	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(6,776)	(19,177)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	7,776	-
14	Payments to Settle Short-Term Debt.....	(4,228)	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	758
16	Costs of Issuing Debt.....		
17	Payments to Settle Long-Term Debt.....	(201)	(78)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	9,123
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	(2,598)	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	749	9,803
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	955	(4,148)
25	Cash And Cash Equivalents At Beginning Of Period.....	12,755	16,903
26	Cash And Cash Equivalents At End Of Period.....	\$ 13,710	\$ 12,755
	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 337	\$ 10,744
28	Income Taxes.....	\$ 994	\$ 1,051

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ (6,782)	\$ (7,936)
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment...	15,753	14,678
31	Amortization of Other Assets.....	207	220
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....		
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	44	152
36	(Gain) Loss on Casino Reinvestment Obligations.....	732	1,165
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	934	(167)
39	Net (Increase) Decrease in Inventories.....	(89)	(277)
40	Net (Increase) Decrease in Other Current Assets.....	(2,204)	(760)
41	Net (Increase) Decrease in Other Assets.....	356	(1,246)
42	Net Increase (Decrease) in Accounts Payable.....	(1,558)	266
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....	(710)	(1,164)
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	299	295
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 6,982	\$ 5,226

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 4,766	\$ 17,379
49	Less: Capital Lease Obligations Incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 4,766	\$ 17,379
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
53	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$ -	\$ -
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$	\$ 9,123
58	Less: Issuances to Settle Long-Term Debt.....	-	-
59	Consideration in Acquisition of Business Entities.....	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ -	\$ 9,123

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

**SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES**

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	240,867	\$ 6,361		\$
2	Food	509,916	9,015		
3	Beverage	2,048,945	5,710		
4	Travel			1,975	835
5	Bus Program Cash	546,145	8,835		
6	Other Cash Complimentaries	287,336	17,704		
7	Entertainment	11,325	426		
8	Retail & Non-Cash Gifts			949,002	5,938
9	Parking			227,642	682
10	Other	30,705	263		
11	Total	3,675,239	\$ 48,314	1,178,619	\$ 7,455

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	43,038	\$ 1,231		\$
2	Food	93,880	1,489		
3	Beverage	375,243	1,210		
4	Travel			411	163
5	Bus Program Cash	146,250	1,268		
6	Other Cash Complimentaries	63,262	2,794		
7	Entertainment	2,567	86		
8	Retail & Non-Cash Gifts			248,920	965
9	Parking			75,055	225
10	Other	383	3		
11	Total	724,623	\$ 8,081	324,386	\$ 1,353

ACE GAMING, LLC
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization, Business and Basis of Presentation

Atlantic Coast Entertainment Holdings, Inc., ("Atlantic Holdings"), owns and operates The Sands Hotel and Casino, ("The Sands" or the "Company"), located in Atlantic City, New Jersey through a wholly-owned subsidiary, ACE Gaming, LLC, or ACE Gaming, a New Jersey limited liability company. The Sands is located on approximately 6.1 acres of land one half block from the Boardwalk at Brighton Park, between Indiana Avenue and Dr. Martin Luther King, Jr. Boulevard. The Sands facility currently consists of a casino and simulcasting facility with approximately 80,000 square feet of gaming space, two hotels with a total of 620 rooms, and related facilities.

Atlantic Holdings was incorporated in Delaware on October 31, 2003 and was a wholly-owned subsidiary of Greate Bay Hotel and Casino, Inc., or GBHC, which was a wholly-owned subsidiary of GB Holdings, Inc., or GB Holdings. Until July 22, 2004, GBHC was the owner and operator of The Sands. ACE Gaming was formed in November 2003 to own and operate The Sands. Atlantic Holdings and ACE Gaming were formed in connection with a transaction, or the Transaction, which included a consent solicitation and offer to exchange, in which holders of \$110 million of 11% notes due 2005 issued by GB Property Funding Corp., a wholly-owned subsidiary of GB Holdings, or the 11% notes, were given the opportunity to exchange the 11% notes, on a dollar for dollar principal basis, for 3% notes due 2008, or 3% notes, and \$100 per \$1,000 of principal amount of 11% notes exchanged. The Transaction was consummated on July 22, 2004 and included, among other things the transfer of substantially all of the assets and certain liabilities of GB Holdings and GBHC to Atlantic Holdings, and holders of \$66.3 million principal amount of the 11% notes exchanged those notes for \$66.3 million principal amount of 3% notes. The 3% notes are guaranteed by ACE Gaming. Atlantic Holdings had limited operating activities prior to July 22, 2004.

At the election of the holders of a majority in principal amount of outstanding 3% notes, each \$1,000 principal amount of the 3% notes is payable in or convertible into 65.90909 shares of common stock, subject to adjustments for stock dividends, stock splits, recapitalizations and the like. Holders of the 11% notes that tendered in the consent solicitation and offer to exchange also received their pro rata share of the aggregate consent fees (\$6.6 million) at the rate of \$100 per \$1,000 principal amount of the 11% notes tendered, plus accrued, but unpaid, interest (\$2.3 million) on the 11% notes tendered, which amounts were paid at the consummation of the Transaction. As part of the Transaction, an aggregate of 10,000,000 warrants were distributed on a pro rata basis to the stockholders of GB Holdings upon the consummation of the transaction. The warrants allow the holders to purchase, at an exercise price of \$0.01 per share, an aggregate of 2,750,000 shares of common stock and are only exercisable following the earlier of (a) either the 3% notes being paid in cash or upon conversion, in whole or in part, into common stock, (b) payment in full of the outstanding principal of the 11% notes exchanged, or (c) a determination by a majority of the board of directors of Atlantic Holdings (including at least one independent director) that the warrants may be exercised. Also on July 22, 2004, in connection with the consummation of the Transaction and the consent solicitation and offer to exchange, GB Property Funding Corp. and GBHC merged into GB Holdings, with GB Holdings as the surviving entity.

On May 17, 2005, holders of a majority of aggregate principal amount of 3% notes elected to allow holders of such notes to convert the notes, in whole or in part, into shares of Atlantic Holdings common stock. Following this election, holders of approximately \$28.8 million of 3% notes converted such notes into shares of common stock. Following such conversion, the warrants became exercisable into shares of Atlantic Holdings common stock. The board of directors may limit the exercise period by providing ninety day written notice of cancellation.

Immediately following this election, American Real Estate Partners, L.P., or AREP, a publicly traded Delaware master limited partnership that owned an aggregate of \$63.9 million principal amount of the 3% notes, elected to convert \$28.8 million principal amount of 3% notes into 1,898,181 shares of common stock. Carl C. Icahn

through his affiliates, owns approximately 86.5% of AREP's preferred units and approximately 90.0% of its depository units and all of the capital stock of AREP's general partner, American Property Investors, Inc. Each \$1,000 of principal amount of the 3% notes and accrued interest thereon, is therefore, convertible at the option of the holders, into 65.90909 shares of common stock.

As a result of the conversion by AREP of 3% notes, and pursuant to the terms of the warrant agreement dated July 22, 2004, with American Stock Transfer and Trust Company as the warrant agent, as of May 17, 2005, holders of warrants may exercise their warrants to purchase 0.275 shares of common stock for each warrant that they own at an exercise price of \$0.01 per share.

On May 17, 2005, notice was received from American Stock Transfer and Trust Company that the affiliates of Mr. Icahn, including AREP, exercised their warrants for an aggregate of 2,130,904 shares of common stock. On June 30, 2005, AREP purchased shares of common stock from affiliates of Mr. Icahn. As a result of the exercise of warrants, the conversion of a portion of the 3% notes owned by AREP and the purchase of shares from affiliates of Mr. Icahn, AREP owns an aggregate of 4,029,085 shares of common stock, representing approximately 58.2% of outstanding common stock. GB Holdings owns approximately 41.7% of outstanding common stock. After the conversion of 3% notes by AREP, it continues to own approximately \$35.1 million in principal amount of the 3% notes. If AREP elects to convert its remaining 3% notes, AREP would then own approximately 6.34 million shares of common stock, representing approximately 63.4 % of outstanding common stock on a fully diluted basis.

In connection with the transfer of the assets and certain liabilities of GB Holdings, including those of GBHC, 2,882,937 shares of common stock was issued to GBHC, which following the merger of GBHC and GB Holdings, became the sole asset of GB Holdings. Substantially all of the assets and liabilities of GB Holdings and GBHC (with the exception of the remaining 11% notes and accrued interest thereon, the shares of common stock and the related pro rata share of deferred financing costs) were transferred to ACE Gaming. The Sands' New Jersey gaming license was transferred to ACE Gaming in accordance with the approval of the New Jersey Casino Control Commission or the Commission. The transfer of assets has been accounted for as an exchange of net assets between entities under common control, whereby the Company will initially recognize the assets and liabilities transferred at their historical carrying amount in the accounts of the transferring entity at the date of transfer. No gain or loss relating to the transfer was recorded.

On September 29, 2005, GB Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In the proceeding, certain creditors of GB Holdings have objected to GB Holdings proposed sale of its Atlantic Holdings Common Stock and claimed that the Transaction was a fraudulent conveyance. In connection with this claim, such creditors may seek to unwind the Transaction or seek recovery of the assets transferred in the Transaction.

In connection with the Transaction, GB Holdings, Atlantic Holdings and ACE Gaming entered into a Contribution Agreement, pursuant to which GB Holdings contributed substantially all of its assets to ACE Gaming and ACE Gaming agreed to pay GB Holdings for its normal, ordinary course operating expenses (including legal and accounting costs, directors' and officers' insurance premiums, and fees for SEC filings), not to exceed in the aggregate \$250,000 in any twelve month period, until September 29, 2005, subject to a number of conditions. However, the holders of a majority of the aggregate principal amount of the outstanding 3% notes may elect to allow ACE Gaming to provide additional funds to GB Holdings for expenses.

Basis of Presentation

The accompanying financial statements were prepared following the requirements of the New Jersey Casino Control Commission ("CCC") for Quarterly Reports. As permitted under those rules, certain notes or other financial information that are normally required by GAAP (U.S. generally accepted accounting principles) can be condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Quarterly Reports for the quarter ended December 31, 2005 filed with the CCC.

In preparing the financial statements, the assets and liabilities, revenues and expenses of the operations prior to the Transaction are reflected in the accompanying financial statements.

In management's opinion, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position as of December 31, 2005 and the results of operations for the three and twelve months ended December 31, 2005 and 2004 have been made.

On November 29, 2005, an affiliate, AREP Gaming LLC, through its subsidiaries, AREP Laughlin Corporation and AREP Boardwalk, LLC, entered into an agreement to purchase the Flamingo Laughlin Hotel and Casino in Laughlin, Nevada and 7.7 acres of land in Atlantic City, New Jersey, known as the Traymore site, from Harrah's Entertainment for \$170.0 million. Completion of the acquisition is subject to regulatory approval and is expected to close in mid-2006. An acquisition option right is currently being discussed with AREP Gaming.

Note 2. Summary of Significant Accounting Policies

Casino Revenues and Promotional Allowances

Casino revenue is recorded as the net win from gaming activities (the difference between gaming wins and losses). Casino revenues are net of accruals for anticipated payouts of progressive and certain other slot machine jackpots. Gross revenues include the retail value of rooms, food and beverage and other items that are provided to customers on a complimentary basis. Such amounts are then deducted as promotional allowances. Promotional allowances also include incentives for goods and services earned in through the slot club and other gaming programs.

Customers are rewarded through the use of loyalty programs, with points based on amounts wagered, that can be redeemed for a specified period of time for cash and non-cash awards. The cash incentive amounts are deducted from casino revenue.

Cash and Cash Equivalents

Cash and cash equivalents are generally comprised of cash and investments with original maturities of three months or less, such as commercial paper, certificates of deposit and fixed repurchase agreements.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash and cash equivalents. Cash equivalents consist of interest-bearing deposits, money market funds and debt instruments, all of which are maintained with high credit quality financial institutions. Cash and cash equivalents are in excess of Federal Deposit Insurance Corporation insurance limits. The Company has not experienced any losses in such accounts.

Inventories

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market and are included in other current assets.

Property and Equipment

Property and equipment purchased are stated at cost. Assets held under capital leases are stated at the lower of the present value of the future minimum lease payments or fair value at the inception of the lease. Expenditures for additions, renewals and improvements are capitalized and depreciated over their useful lives. Costs of repairs and maintenance are expensed when incurred. Leasehold acquisition costs are amortized over the shorter of their estimated useful lives or the term of the respective leases once the assets are placed in service.

Depreciation and amortization of property and equipment are computed using the straight-line method over the following useful lives:

Buildings and improvements	25-40 years
Furniture, fixtures and equipment	3-15 years

The Company capitalizes interest incurred on debt during the course of qualifying construction projects. Such costs are added to the asset base and amortized over the related assets' estimated useful lives.

Long-Lived Assets

The Company periodically evaluates long-lived assets in accordance with the application of Statement of Financial Accounting Standards, or SFAS, No. 144 for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Inherent in the reviews of the carrying amounts of the above assets are various estimates. First, management must determine the usage of the asset. Assets must be tested at the lowest level for which identifiable cash flows exist. This means that some assets must be grouped, and management has some discretion in the grouping of assets. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from estimates. If ongoing estimates of future cash flows are not met, the Company may have to record additional impairment charges in future accounting periods. Estimates of cash flows are based on the current regulatory, social and economic climates, recent operating information and budgets of the operating property.

In accordance with SFAS No. 144, the Company has tested the assets of the Sands in Atlantic City for recoverability during 2005. As the property's estimated undiscounted future cash flows exceed its carrying value, the Company does not believe the Sands assets to be impaired at this time. However, the Company will continue to monitor the performance of the Sands as well as continue to update the asset recoverability test under SFAS No. 144. If future asset recoverability tests indicate that the assets of the Sands are impaired, the Company will be subject to a non-cash write-down of its assets which would likely have a material impact on the financial statements.

Slot Club Liability

The Company offers a program whereby participants can accumulate points for casino wagering that can currently be redeemed for cash, lodging, food and beverages, and merchandise. A liability is recorded for the estimate of unredeemed points based upon redemption history at the casino. Changes in the program, increases in membership and changes in the redemption patterns of the participants can impact this liability. Points expire after three months. Slot club liability is included in accrued expenses on the balance sheet.

Self-Insurance

The Company retains the obligation for certain losses related to customer's claims of personal injuries incurred while on property as well as major medical claims for non-union employees. The Company accrues for outstanding reported claims, claims that have been incurred but not reported and projected claims based upon estimates of the aggregate liability for uninsured claims using historical experience, and adjusting estimates and the estimated trends in claim values. Although management believes it has the ability to adequately project and record estimated claim payments, it is possible that actual results could differ significantly from the recorded liabilities.

Allowance for Obligatory Investments

The Company maintains obligatory investment allowances for investments made in satisfaction of Casino Reinvestment Development Authority obligation. The obligatory investments may ultimately take the form of Casino Reinvestment Development Authority issued bonds, which bear interest at below market rates, direct investments or donations. Casino Reinvestment Development Authority bonds bear interest at approximately two-thirds of market rates. Management bases its reserves on the type of investments the obligation has taken or is expected to take. Management has reserved the predominant balance of its obligatory investments at between 33% and 49%.

Long-term Debt

The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered for debt of the same remaining maturities.

Income Taxes

The Company accounts for income tax assets and liabilities in accordance with SFAS No. 109.

SFAS No. 109 requires the recognition of deferred tax assets and liabilities for the expected future tax

consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The Company maintains valuation allowances where it is determined more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change. In determining whether a valuation allowance is warranted, management takes into account such factors as prior earnings history, expected future earnings, carryback and carryforward periods, and tax planning strategies. Management has determined that the realization of certain of deferred tax assets is not more likely than not and, as such, has provided a valuation allowance against those deferred tax assets at December 31, 2005.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes its estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current fiscal year presentation. These reclassifications had no effect on net loss.

Recently Issued Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board issued SFAS No.154, "Accounting Changes and Error Corrections." SFAS No. 154 replaces Accounting Principles Board No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 requires retrospective application of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 defines retrospective application as the application of a different accounting principle to prior accounting periods as if that principle had always been used or as the adjustment of previously issued financial statements to reflect a change in the reporting entity. SFAS No. 154 also redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The Company believes that the adoption of SFAS No. 154 will not have a material impact on the financial statements.

Note 3. Accounts Receivable

Accounts receivable consists of the following:

	December 31,	
	2005	2004
	(in thousands)	
Hotel and related	\$ 486	\$ 403
Gaming	6,349	7,854
Other	1,507	1,080
	8,342	9,337
Less allowance for doubtful accounts	3,801	3,862
	<u>\$ 4,541</u>	<u>\$ 5,475</u>

Note 4. Leases

The Company leases certain equipment and property under operating leases. Total rent expense was \$2.0 million and \$2.0 million for the years ended December 31, 2005 and 2004, respectively. The following table sets forth the future minimum commitments for operating leases and capital leases having remaining non-cancelable lease terms in excess of one year (in thousands):

	<u>Operating Leases</u>	<u>Capital Leases</u>
2006.....	\$ 1,998	\$ 350
2007.....	1,998	251
2008.....	1,998	18
2009.....	1,998	—
2010.....	1,998	—
Thereafter.....	4,436	—
Total Minimum Lease Payments.....	<u>\$ 14,426</u>	<u>619</u>
Less imputed interest costs.....		<u>58</u>
Present value of Net Minimum Capital Lease Payments.....		<u>\$ 561</u>

The future minimum lease payments to be received for various non-cancelable operating leases for certain retail space for years subsequent to December 31, 2005 are as follows (in thousands):

Years ending December 31,

2006	\$ 184
2007	124
2008	80
2009	80
2010	60
Thereafter	-
Total payments	<u>\$ 528</u>

The above minimum rental income does not include contingent rental income contained within certain retail operating leases.

For the years ended December 31, 2005 and 2004, the Company recorded rental revenue of \$220,000 and \$199,000, respectively.

Note 5. Income Taxes

The components of the provision for income taxes are as follows:

	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
	(in thousands)	
Federal income tax provision:		
Current	\$ -	\$ -
Deferred	-	-
State income tax provision:		
Current	1,002	986
Deferred	-	-
	<u>\$ 1,002</u>	<u>\$ 986</u>

Deferred Tax Assets & Liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for income tax purposes. The major components of deferred tax liabilities and assets were as follows:

	<u>December 31, 2005</u> <u>(in thousands)</u>
Deferred tax assets:	
Bad debt reserve	\$ 1,552
Deferred financing costs	1,434
Group insurance	535
Accrued vacation	615
Action cash awards accrual	155
Jackpot accrual	313
Medical reserve	493
Casino Reinvestment Development Authority	6,036
Federal and state net operating loss carryforward	23,241
Workers compensation	647
Grantors trust income	3,723
Credit carryforwards	2,661
Other	<u>1,223</u>
Total deferred tax assets	42,628
Less valuation allowance	<u>(27,704)</u>
Total deferred tax assets after valuation allowances	<u>14,924</u>
Deferred tax liabilities:	
Non-current:	
Depreciation of plant and equipment	(14,924)
Deferred financing costs	-
Other	-
Chips and tokens	<u>-</u>
Total deferred tax liabilities	<u>(14,924)</u>
Net deferred tax assets (liabilities)	<u>\$ -</u>

The net change in the valuation allowance for deferred income tax assets was an increase of \$4.2 million in 2005 and an increase of \$5.6 million in 2004. Federal net operating loss carryforwards totaled approximately \$62 million as of December 31, 2005 and will begin expiring in the year 2022 and forward. New Jersey net operating loss carryforwards totaled approximately \$26.9 million as of December 31, 2005 and will begin expiring in 2011. The Company also has general business credit carryforwards of approximately \$1.2 million which expire in 2009 through 2024. Additionally, as of December 2005, the Company has a federal alternative minimum tax (AMT) credit carryforward of about \$72,000 and a New Jersey alternative minimum assessment (AMA) credit carryforward of approximately \$1.3 million, both of which can be carried forward indefinitely.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management has determined that the realization of certain of the Company's deferred tax assets is not more likely than not and, as such, has provided a valuation allowance against those deferred tax assets at December 31, 2005.

The provision for income taxes differs from the amount computed at the federal statutory rate as a result of the following:

	December 31, 2005
Expected federal benefit	(35.0)%
State taxes net of federal benefit	(2.1)%
State tax rate correction	0.0%
Expired tax credit	0.0%
Permanent differences	0.3%
Tax credits	6.0%
Deferred tax valuation allowance	36.7%
Other	2.9%
	<u>8.8%</u>

Note 6. Debt

On November 12, 2004, Atlantic Holdings, as borrower and ACE Gaming, as guarantor, entered into a senior secured revolving credit facility, or credit facility, of up to \$10 million to be used for working capital purposes. Borrowings under the credit facility are designated as Working Capital Indebtedness (as that term is defined in the Indenture), dated as of July 22, 2004, among Atlantic Holdings, as issuer, ACE Gaming, as guarantor, and Wells Fargo Bank, National Association, as trustee (the Trustee).

On November 30, 2005 the credit facility was modified to extend the term to November 12, 2007, decrease the available principal amount to \$5 million, and modify the financial covenants.

The outstanding principal balance will accrue interest at a fixed rate to be set monthly which is equal to one month LIBOR (but not less than 1.5%), plus 8% per annum, which totaled 12.39% at December 31, 2005. In addition to interest payable on the principal balance outstanding from time to time, the Company is required to pay an unused line fee for each preceding three-month period during the term of the credit facility in an amount equal to .35% of the excess of the available commitment over the average outstanding monthly balance during such preceding three-month period.

The borrowings are secured by a first lien and security interest on all of Atlantic Holdings' and ACE Gaming's personal property and a first mortgage on The Sands. The lender under the credit facility entered into an Intercreditor Agreement, dated as of November 12, 2004, with the Trustee pursuant to the credit facility. The Liens (as that term is defined in the Indenture) of the Trustee on the Collateral (as that term is defined in the Indenture), are subject and inferior to Liens which secure Working Capital Indebtedness such as the credit facility. The lender under the credit facility may terminate its obligation to advance and declare the unpaid balance of the Loans, or any part thereof, immediately due and payable upon the occurrence and during the continuance of customary defaults which include payment default, covenant defaults, bankruptcy type defaults, attachments, judgments, the occurrence of certain material adverse events, criminal proceedings, and defaults by Atlantic Holdings or ACE Gaming under certain other agreements. As of December 31, 2005 there was \$1.5 million borrowed against the available credit line.

The Borrower and Guarantor on the credit facility are required to maintain the following financial covenants; (1) a minimum EBITDA (as defined in the credit facility) of \$7.0 million, which shall be measured and confirmed as of the twelve month period ended, each respective January 1, April 1, July 1 and October 1 of each year until the full and final satisfaction of the loan and (2) a Minimum Leverage Ratio of which the Borrower shall not permit its ratio of defined Total Debt to EBITDA, as measured and confirmed annually on a trailing twelve month basis to exceed 6.25:1. As of December 31, 2005, the Company is in compliance with these covenants.

In December 2005 the Company entered into a short-term insurance premium financing agreement with Flatiron Capital Corporation for \$2.2 million at 5.75% to be paid back in monthly installments ending October 2006. At December 31, 2005, the outstanding balance was \$2.0 million.

Note 7. *Related Party Transactions*

On or about July 14, 2004, GBHC entered into a license agreement with Las Vegas Sands, Inc., or LV Sands, for the use of the trade name "The Sands" through May 19, 2086, subject to termination rights for a fee after a certain minimum term. This license agreement superseded the previous agreement entered into by an affiliate of Mr. Icahn which was subsequently assigned to GBHC. Payments under the agreement were made directly to LV Sands and no fees were paid to the affiliate of Mr. Icahn. The license agreement was assigned to ACE Gaming as of July 22, 2004. The Sands made payments to the licensor in connection with the trade name in amounts of \$284,000 and \$259,000, respectively, for the years ended December 31, 2005 and 2004.

The Company has entered into an intercompany services arrangement with American Casino & Entertainment Properties LLC ("ACEP"), which is controlled by affiliates of Mr. Icahn, whereby ACEP provides management and consulting services. The Company is billed based upon an allocation of salaries plus an overhead charge of 15% of the salary allocation plus reimbursement of reasonable out-of-pocket expenses. During 2005 and 2004 the Company was billed approximately \$708,000 and \$387,500, respectively.

The Company has entered into an agreement with XO Communications, Inc., a long-distance phone carrier affiliated with Mr. Icahn. Payments for such charges incurred for the years ended December 31, 2005 and 2004 amounted to \$150,000 and \$181,000, respectively. The agreement was extended in June 2005 through April 2007.

In connection with the Transaction, GB Holdings, Atlantic Holdings and ACE Gaming entered into a Contribution Agreement, pursuant to which, Atlantic Holdings paid \$ 2.6 million to GB Holdings for the year ended December 31, 2005, which was recorded as a capital withdrawal. Additionally, the Company agreed to pay GB Holdings normal, ordinary course operating expenses (including legal and accounting costs, directors' and officers' insurance premiums, and fees for SEC filings) not to exceed in the aggregate \$250,000 in any twelve month period, subject to a number of conditions.

Note 8. *Employee Benefit Plans*

ACE Gaming administers and participates in The Sands Retirement Plan, a qualified defined contribution plan for the benefit of all of ACE Gaming employees, who satisfy certain eligibility requirements.

The Sands Retirement Plan is designed and operated to meet the qualification requirements under section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") and contains a qualified cash-or-deferred arrangement meeting the requirements of section 401(k) of the Code. All employees of ACE Gaming, who have completed one year of service, as defined, and who have attained the age of 21, are eligible to participate in the Savings Plan. The Sands Retirement Plan provides for an employer matching contribution based upon certain criteria, including levels of participation by The Sands' employees. The Company incurred matching contributions totaling \$0.4 million and \$0.4 million, respectively, for the years ended December 31, 2005 and 2004.

The Company also contributes to multi-employer pension, health and welfare plans for its union employees. For the years ended December 31, 2005 and 2004, the Company recorded expenses for such plans of \$6.1 million and \$5.2 million, respectively.

The Company has implemented a management incentive plan to provide members of executive management, other than the chief executive officer, and certain employees, with additional compensation for their contribution to the achievement of corporate objectives. Participants in the plan shall be entitled to a financial award if the Company achieves financial goals, approved by the board of directors, and individual performance goals. A financial award under the plan includes a cash award and a deferred bonus award. The deferred bonus award is paid out over four years and is dependent on the participant being employed by the Company at each such payment date.

Note 9. *Legal Proceedings*

The Company has challenged its property tax assessment in the Tax Court of New Jersey beginning with the tax year 1996 and including each year thereafter through tax year 2005. Recently, a trial was held with respect to tax years 1996 through 1999. The Company has not yet received a ruling by the Tax Court. Based upon the City's appraisals submitted at trial for these four years, the Company may be entitled to a refund. A trial for tax years 2000 through 2005 is anticipated to occur in 2006. As with any litigation there can be no assurance of the ultimate outcome, the Company's ability to collect any judgment which may be awarded or the terms under which any amount awarded or mutually agreed upon would be paid.

The Company is involved in various other inquiries, administrative proceedings and litigation arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, The Company believes that the final outcome of these matters will not have a material adverse effect upon the Company's financial position or results of operations.

Note 10. *New Jersey Regulations and Obligatory Investments*

The Company conducts gaming operations in Atlantic City, New Jersey and operates a hotel and several restaurants, as well as related support facilities. The operation of an Atlantic City casino/hotel is subject to significant regulatory control. Under the New Jersey Casino Control Act, or the Control Act, ACE Gaming was required to obtain and is required to periodically renew its operating license. A casino license is not transferable and, after the initial licensing and two one-year renewal periods, is issued for a term of up to four years. The plenary license issued to The Sands was renewed by the Commission on September 29, 2004 and extended through September 2008. The Commission may reopen licensing hearings at any time. If it were determined that gaming laws were violated by a licensee, the gaming license could be conditioned, suspended or revoked. In addition, the licensee and other persons involved could be subject to substantial fines.

In order to renew the casino license for The Sands, the Commission determined that Atlantic Holdings and ACE Gaming are financially stable. In order to be found "financially stable" under the Control Act, Atlantic Holdings and ACE Gaming must demonstrate, among other things, their ability to pay, exchange, or refinance debts that mature or otherwise become due and payable during the license term, or to otherwise manage such debts. During July 2004, a timely renewal application of the casino license for a four year term was filed. The Commission approved the casino license renewal application for a four year term on September 29, 2004 with certain conditions, including monthly written reports on the status of the GB Holdings 11% notes, and a definitive plan by GB Holdings to address the maturity of the GB Holdings 11% notes to be submitted no later than August 1, 2005 as well as other standard industry reporting requirements. Such reporting requirements have been met.

On September 29, 2005, GB Holdings, which owns 2,882,938 shares of Atlantic Holdings's common stock, filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. It is possible that the Commission could determine that GB Holdings is unqualified based upon the filing of this petition. At this time there is no indication that such a determination will be made.

The Control Act requires casino licensees to pay an investment alternative tax of 2.5% of Gross Revenue (the "2.5% Tax") or, in lieu thereof, to make quarterly deposits of 1.25% of quarterly Gross Revenue with the Casino Reinvestment Development Authority (the "Deposits"). The Deposits are then used to purchase bonds at below-market interest rates from the Casino Reinvestment Development Authority (the "CRDA") or to make qualified investments approved by the CRDA. The CRDA administers the statutorily mandated investments made by casino licensees and is required to expend the monies received by it for eligible projects as defined in the Control Act. The Company has elected to make the Deposits with the CRDA rather than pay the 2.5% Tax.

As of December 31, 2005 and 2004 the Company had purchased bonds totaling \$8.2 million and \$6.7 million, respectively. The bonds mature between February 2024 and November 2044 and bear interest between 3.4% and 7.0%. In addition, the Company had remaining funds on deposit and held in escrow by the CRDA at December 31, 2005 and 2004 of \$16.9 million and \$17.4 million, respectively. The bonds

purchased and the amounts on deposit and held in escrow are collectively referred to as "obligatory investments" on the accompanying financial statements.

Obligatory investments at December 31, 2005 and 2004 are net of accumulated valuation allowances of \$12.1 and \$12.5 million, respectively, based upon the estimated realizable values of the investments. Provisions for valuation allowances for the years ended December 31, 2005 and 2004 amounted to \$0.7 million and \$1.2 million, respectively.

The Sands has, from time to time, contributed certain amounts held in escrow by the CRDA to fund CRDA sponsored projects. During 2005 and 2004, The Sands donated \$0.1 million and \$0.3 million, respectively, of its escrowed funds to CRDA sponsored projects. No specific refund or future credit has been associated with these contributions. Other assets aggregating \$0.2 million and \$0.4 million, respectively, have been recognized at December 31, 2005 and 2004, and are being amortized through December 31, 2006. Amortization of other assets totaled \$207,000 and \$207,000 for the years ended December 31, 2005 and 2004, respectively, and is included in depreciation and amortization.

The Company has agreed to contribute certain of its future investment obligations to the CRDA in connection with the renovation related to the Atlantic City Boardwalk Convention Center. The projected total contribution will amount to \$6.9 million, which will be paid through 2011 based on an estimate of certain of the Company's future CRDA deposit obligations. As of December 31, 2005, the Company had satisfied \$2.2 million of this obligation.

In April 2004, the casino industry, the CRDA and the New Jersey Sports and Exposition Authority agreed to a plan regarding New Jersey video lottery terminals or VLTs. Under the plan, casinos will pay a total of \$96 million over a period of four years, of which \$10 million will fund, through project grants, North Jersey CRDA projects and \$86 million will be paid to the New Jersey Sports and Exposition Authority which will then subsidize certain New Jersey horse tracks to increase purses and attract higher-quality races that would allow them to compete with horse tracks in neighboring states. In return, the race tracks and New Jersey have committed to postpone any attempts to install VLTs for at least four years. \$52 million of the \$86 million would be donated by the CRDA from the casinos' North Jersey obligations and \$34 million would be paid by the casinos directly. It is currently estimated that the Company's current CRDA deposits for North Jersey projects are sufficient to fund the Company's proportionate obligations with respect to the \$10 million and \$52 million commitments. The Company's proportionate obligation with respect to the \$34 million commitment is estimated to be approximately \$1.3 million payable over a four year period in annual installments due October 15th ranging from \$278,000 to \$398,000 per year. The Company's proportionate obligation with respect to the combined \$10 million and \$52 million commitment is estimated to be approximately \$2.5 million payable over a four year period. The amounts will be charged to operations, on a straight-line basis, through January 1, 2009. The Company made cash payments of \$303,000 and \$278,000 in satisfaction of this obligation for the years ended December 31, 2005 and 2004, respectively.

Note 11. Disclosures about Fair Value of Financial Instruments

The estimated carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2005	
	Carrying Amount	Fair Value
	(in thousands)	
Financial Assets:		
Cash and cash equivalents	\$ 13,710	\$ 13,710
Obligatory investments, net	12,930	12,930

Note 12. *Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets consisted of the following:

	December 31,	
	2005	2004
	(in thousands)	
Deposits - Workers Compensation	\$ 3,121	\$ 3,018
Prepaid insurance	2,549	540
Prepaid slot license fee	540	551
Other current assets	1,190	880
	<u>\$ 7,400</u>	<u>\$ 4,989</u>

Note 13. *Property and Equipment*

Property and equipment consisted of the following:

	December 31,	
	2005	2004
	(in thousands)	
Land	\$ 54,344	\$ 54,344
Buildings and improvements	88,273	88,147
Operating equipment	79,921	73,675
Construction in progress	224	2,040
	222,762	218,206
Less: accumulated depreciation and amortization	<u>(62,159)</u>	<u>(46,566)</u>
Net property and equipment	<u>\$ 160,603</u>	<u>\$ 171,640</u>

Note 14. *Investments, Advances and Receivables*

Investments, advances and receivables consist of the following:

	December 31,	
	2005	2004
	(in thousands)	
CRDA deposits	\$ 16,890	\$ 17,430
CRDA bonds	8,175	6,716
	25,065	24,146
Less valuation allowance on CRDA investments	<u>(12,135)</u>	<u>(12,500)</u>
	<u>\$ 12,930</u>	<u>\$ 11,646</u>

Note 15. Other Accrued Expenses

Other accrued expenses consisted of the following:

	December 31,	
	2005	2004
	(in thousands)	
Accrued vacation	\$ 1,505	\$ 1,477
Major Medical - Non-union	1,206	1,308
Accrued wages	798	730
Other accrued expenses	5,723	6,872
	<u>\$ 9,232</u>	<u>\$ 10,387</u>

Note 16 Other Current Liabilities

Other current liabilities consisted of the following:

	December 31,	
	2005	2004
	(in thousands)	
Workers Comp liability	\$ 1,584	\$ 1,132
Unredeemed gaming chips	682	570
CRDA bonds payable	459	557
Union liability	349	363
Other current liabilities	1,176	1,198
	<u>\$ 4,250</u>	<u>\$ 3,820</u>

Note 17. Other Liabilities

Other liabilities consisted of the following:

	December 31,	
	2005	2004
	(in thousands)	
CRDA - East Hall	\$ 3,590	\$ 3,429
Other liabilities	758	608
	<u>\$ 4,348</u>	<u>\$ 4,037</u>

Note 18. Nonoperating Income(Expense) – Net

Nonoperating income (expense) – net is comprised of the following:

	December 31,	
	2005	2004
	(in thousands)	
CRDA interest income	\$ 510	\$ 306
Interest income	89	39
Reorganization expense	(20)	(2,292)
Other	-	(151)
	<u>\$ 579</u>	<u>\$ (2,098)</u>

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Keith Crede
Executive Director of Finance
Title



License Number

On Behalf Of:

ACE Gaming, LLC
Casino Licensee

**SCHEDULE OF RECEIVABLES AND
PATRONS CHECKS**

LICENSEE: ACE GAMING, LLC

FOR THE YEAR ENDED DECEMBER 31, 2005

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
**SCHEDULE OF RECEIVABLES AND
 PATRONS' CHECKS**
 FOR THE YEAR ENDED DECEMBER, 2005

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE NET OF ALLOWANCE (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$ 2,104		
2	Returned Patrons' Checks.....	4,244		
3	Total Patrons' Checks.....	6,348	\$ 3,396	\$ 2,952
4	Hotel Receivables.....	487	35	452
	Other Receivables:			
5	Receivables Due from Officers and Employees.....	2		
6	Receivables Due from Affiliates.....	638		
7	Other Accounts and Notes Receivables.....	867		
8	Total Other Receivables.....	1,507	370	1,137
9	Totals (Form CCC-205).....	\$ 8,342	\$ 3,801	\$ 4,541

UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1).....	\$ 3,420
11	Counter Checks issued (Excluding Counter Checks Issued Through Transactions Relating to Consolidations, Partial Redemptions, Substitutions, and Patrons' Cash Deposits).....	65,989
12	Checks Redeemed Prior to Deposit (Excluding the Unredeemed Portion of Counter Checks Redeemed Through Partial Redemptions, and Excluding Checks Redeemed Through Transactions Relating to Consolidations, Substitutions, and Patrons' Cash Deposits).....	(45,680)
13	Checks Collected Through Deposits.....	(18,625)
14	Checks Transferred to Returned Checks.....	(3,000)
15	Other Adjustments.....	-
16	Ending Balance.....	\$ 2,104
17	"Hold" Checks Included in Balance On Line 16.....	\$ -
18	Provision for Uncollectible Patrons' Checks.....	\$ 440
19	Provision as a Percent of Counter Checks Issued.....	0.7%

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.



Signature

Executive Director of Finance

March 31, 2006

Date

ANNUAL EMPLOYMENT

AND PAYROLL REPORT

LICENSEE: ACE GAMING, LLC

FOR THE YEAR ENDED DECEMBER 31, 2005

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2005

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF EMPLOYEES AT DECEMBER 31, (c)	SALARIES AND WAGES		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO				
1	Administration	16	143	140	283
2	Gaming	397	8,141		8,141
3	Slots	75	2,937		2,937
4	Casino Accounting	114	3,804		3,804
5	Simulcasting	7	178		178
6	Other	17	549		549
7	Total - Casino	626	\$ 15,752	\$ 140	\$ 15,892
8	ROOMS	127	4,101		4,101
9	FOOD AND BEVERAGE	472	10,410	140	10,550
10	OTHER OPERATED DEPARTMENTS				
11	Retail Services	3	83		83
12	Valet/Health Club	29	555		555
13					
14					
15					
16					
17					
18					
19					
20	ADMINISTRATIVE AND GENERAL				
	Executive office	9	160	464	624
21	Accounting and auditing	47	1,839	156	1,995
22	Security	137	4,166		4,166
23	Other administrative and general department	73	2,779	321	3,100
24	MARKETING	139	4,699	292	4,991
25	GUEST ENTERTAINMENT	171	804		804
26	PROPERTY OPERATION AND MAINTENANCE	131	4,213		4,213
27	TOTALS - ALL DEPARTMENTS	1964	\$ 49,561	\$ 1,513	\$ 51,074

Under the penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

FOR THE YEAR ENDED DECEMBER 31, 2005

Under penalties provided by law, I declare that I have examined this report,
and to the best of my knowledge and belief, it is true and complete.



Signature

March 31, 2006

Date

Keith Crede

Executive Director of Finance

Title

**GROSS REVENUE
ANNUAL TAX RETURN**

LICENSEE ACE GAMING, LLC

FOR THE YEAR ENDED DECEMBER 31, 2005

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

TRADING NAME OF LICENSEE: Sands Hotel and Casino

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2005

Line

CASINO WIN:		
1.	Table and Other Games Win.....	\$ 39,637,819
2.	Slot Machines Win.....	137,009,344
3.	Total Win.....	176,647,163
4.	Recovery for Uncollectible Patrons' Checks.....	-
5.	Gross Revenue (line 3 plus line 4).....	176,647,163
6.	Tax on Gross Revenue - Reporting Year (8% of line 5).....	14,131,773
7.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	
8.	Total Taxes on Gross Revenue (the sum of lines 6 and 7).....	14,131,773
9.	Total (Deposits) Made for Tax on Reporting Year's Gross Revenue.....	14,131,775
Settlement of Prior Years' Tax on Gross Revenue		
10.	Resulting from Audit or Other Adjustments - (Deposits) Credits	
11.	Gross Revenue Taxes Payable (the net of lines 8, 9 and 10)	\$ (2)

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3-13-6

Date



Signature

Executive Director of Finance

Title of Officer